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## FISCAL IMPACT REPORT

**SPONSOR** Vigil **ORIGINAL DATE** 2-16-07  
**LAST UPDATED** 3-06-07 **HB** 906/aHHGAC  
**SHORT TITLE** Co-Op Work Study Training Program Retirement **SB** \_\_\_\_\_  
**ANALYST** Aubel

### REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY07	FY08	FY09		
NFI	(\$0.01)		Recurring	PERA

(Parenthesis ( ) Indicate Revenue Decreases)

Duplicates HB 1209  
 Conflicts with HB 1187  
 Relates to HB 222, HB 224, SB 181

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

Public Employees Retirement Association (PERA)

### SUMMARY

#### Synopsis of HHGAC Amendment

The House Health and Governmental Affairs Committee Amendment bring the bill into agreement with the Constitutional requirement to fund plan enhancements by the full actuarial cost as determined by PERA. Thus, the fiscal impact to the PERA fund is now neutral. The bill, as amended, also requires that the member must pay the full amount within 60 days of notification and restricts the cooperative work study program participants affected by the bill to those with co-op experience with a four-year state post-secondary educational institution and a state agency. This bill now duplicates House Bill 1209.

#### Synopsis of Original Bill

House Bill 906 expands the definition of those PERA members eligible to purchase service credit for prior cooperative (co-op) work-study employment to any member who participated in such a program established jointly by any state agency and any post-secondary educational institution, subject to certain conditions. Currently the PERA Act limits this service credit to

those co-op programs established jointly by the former state highway and transportation department, the University of New Mexico, and the State University of New Mexico.

### **FISCAL IMPLICATIONS**

PERA notes that House Bill 906 will most likely negatively affect the PERA Fund because the purchase cost calculation contained by HB 906 does not reflect the full actuarial cost of the service credit it proposes to provide certain PERA members who participated in a cooperative work study program.

PERA indicates that HB 906 will not have any significant impact on its operating budget.

### **SIGNIFICANT ISSUES**

The primary policy issue is to determine whether to expand the cooperative work study to any state agency and post-secondary educational institutions.

Section 10-11-7 of the PERA Act authorized the purchase service credit for PERA members who participated in cooperative work study programs with the then state highway and transportation department and the UNM and NMSU became effective in 1987. Since that time, the cost of co-op service credit has been partially subsidized by the retirement system.

In 1998, the state Constitution was amended to require funding in connection with expansion of PERA benefits. Article XX, Section 22 of the Constitution of the State of New Mexico was enacted, which now requires that an increase in benefits under the retirement system be adequately funded to preserve the PERA fund's actuarial soundness. Thus, any future expansion of the category of persons eligible to receive co-op service credit must provide a purchase cost that reflects the full actuarial present value of the amount of the increase in the member's pension as a consequence of the co-op service credit. PERA suggests language to accomplish this requirement in the Amendments section below.

### **ADMINISTRATIVE IMPLICATIONS**

HB 906 will most likely increase the volume of co-op service credit purchases by PERA members processed by PERA.

### **CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP**

Conflicts with Article XX, Section 22 of the Constitution of New Mexico, which states that the legislature shall not enact any law increasing benefits under the retirement system without providing adequate funding to preserve the PERA fund's actuarial soundness.

Conflicts with HB 1209 and HB 1187, both which propose co-op service credit purchase expansions.

Relates to HB 222, which authorizes judicial retirement members to purchase up to one year of additional service credit at the full actuarial present value of the increase in the member's pension as a consequence of the purchase.

Relates to HB 224, which authorizes magistrate retirement members to purchase up to one year of additional service credit at the full actuarial present value of the increase in the member's pension as a consequence of the purchase.

Relates to SB 181, which authorizes seasonal employees of the legislative branch to purchase service credit under existing law, subject to certain conditions.

### **OTHER SUBSTANTIVE ISSUES**

The PERA Act does not define the term "post-secondary educational institutions". Section 21-1-38 (A)(2) NMSA, 1978 (2005) defines post-secondary educational institutions to include -- but are not limited to -- an academic, vocational, technical, business, professional or other school, college or university or other organization offering or purporting to offer courses, instruction, training or education through correspondence or in person, to any individual within this state over the compulsory school attendance age, if that post-secondary educational institution is directed supported in whole or in part by the state or local taxation.

### **WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL**

Only PERA members who participated in cooperative work study training programs established jointly by the former state highway and transportation department and the University of New Mexico or the New Mexico State University can purchase service credit for their period of participation, subject to certain conditions.

### **AMENDMENTS**

Page 4, line 16:

[NEW MATERIAL] D. A member who was appointed to participate in a cooperative work study training program established jointly by any state agency and a post-secondary educational institution may purchase credited service for the period of participation subject to the following conditions:

- (1) the member has at least five years of service credit acquired as a result of personal service rendered in the employ of an affiliated public employer;
- (2) the member pays full actuarial present value of the amount of the increase in the employee's pension as a consequence of the purchase as determined by the association;
- (3) the member pays the full cost of the purchase within sixty days of the date the member is informed of the amount of the payment; and
- (4) the aggregate amount of credited service purchased pursuant to this subsection does not exceed five years."

MA/nt